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TO RUEHC/SECSTATE WASHDC 6778
INFO RUEHLM/AMEMBASSY COLOMBO 7383
RUEHIL/AMEMBASSY ISLAMABAD 1061
RUEHKT/AMEMBASSY KATHMANDU 8476
RUEHNE/AMEMBASSY NEW DELHI 9007
RUEHLO/AMEMBASSY LONDON 1421
RUEHCI/AMCONSUL CALCUTTA
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RHHMUNA/CDR USPACOM HONOLULU HI
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RUEATRS/DEPT OF TREASURY WASHDC

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STATE FOR EB/ESC/TFS (DBROWN), S/CT (TKUSHNER), IO/PSC
(BFITZGERALD)
TREASURY FOR TFFC (DGLASER) AND OFAC (RWERNER)
NSC FOR THINNEN

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TAGS: EFIN ETTC KTFN PTER BG UK

SUBJECT: BANGLADESH BANK FINES ISLAMI BANK BANGLADESH FOR
JMB RELATED AML VIOLATIONS

Classified By: Ambassador Patricia Butenis; reason 1.4(d)

¶1. (U) Summary: Bangladesh Bank (BB) (the central bank of Bangladesh) fined Islami Bank Bangladesh on April 5 for violation of the country's anti-money laundering law (AML) in connection with an account linked to the JMB. The 100,000 taka (\$1400) fine is the maximum fine authorized under the law. The Islami Bank was previously fined in 2002 and 2004 for violations of the AML. End summary.

¶2. (U) The fine followed an investigation of account documents, including a checkbook for an account at Islami Bank, found at the house in Sylhet where JMB leader Sheik Abdur Rahman was arrested. According to the BB report, the checking account was opened in February 1999 in the name of Saidur Rahman but lay dormant until January 2006, when eight deposits totaling approximately 415,000 taka (\$5,845) were wired to the account from Islami Bank branches in Gazipur and Savar (both near Dhaka) by a person who identified himself as Javed Khan. The funds were withdrawn from the account within a few weeks. Saidur Rahman is the former Ameer (leader) of Habiganj district Jamaat-e-Islami and is said to be the father of JMB's information and technology section chief Shamim.

¶3. (U) Investigators also found documents showing Saidur Rahman had accounts at the government-owned Rupali and Janata banks. BB review of those accounts revealed the accounts were inactive and the BB has taken no action against the government banks.

¶4. (U) The BB action against Islami Bank is based on two violations of the AML. First, the BB found that Islami Bank failed to adhere to know your customer rules with respect to both the transfers of Javed Khan and the account of Saidur Rahman, when he reactivated the account earlier this year. Second, the BB found that the large transactions (by local standards) into and out of a previously dormant account should have triggered a suspicious transaction report to the BB.

¶5. (C) Islami Bank moved swiftly to conduct its own

investigation of the transactions. Executive President Abdur Rakib told econoff the bank has suspended five employees, including the three branch managers and is investigating 15 other employees for their involvement in the transactions. "We take compliance very seriously" he said, adding the actions against the employees were intended, in part, to reinforce that message for other employees.

¶6. (C) Rakib says the bank regularly conducts training for branch managers and employees on compliance with the AML, often in conjunction with officials from the BB. He also described an active information program within the bank, including regular circulars to branches with current information on AML issues. Rakib has publicly stated the bank's commitment to combat terrorist financing and comply with the AML and the rules and procedures of the BB. Despite this lapse, he defends the bank's overall record, pointing to its 2.7 million customer base served by 169 branches in Bangladesh.

¶7. (C) Citibank Bangladesh has a banking relationship with Islami Bank. Contacted by econoff, Mamun Rashid, CEO for Citibank Bangladesh said Citibank had conducted its own internal review following initial reports linking JMB accounts to Islami Bank. He expressed satisfaction with the cooperation they received from Islami Bank. "They accept responsibility for the mistakes, they have taken action, and they are appropriately nervous about the lapses this revealed" he said. Acknowledging the bank's connections with Jamaat, he said Islami Bank has a solid reputation as a well run bank. He too pointed to the bank's large customer base and 169 branches as evidence that this was an anomaly and not indicative of the bank's normal operations.

BUTENIS